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Tony Tiah running the global show

By The Editor / TheEdge
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Datuk Tony Tiah, a well-known stockbroker in the 1990s, will be at the helm of the soon-to-be-listed TA Global Bhd, the company that holds TA Enterprise Bhd's (TAE) property assets and landbank.

Tiah, the co-founder of the retail-based stockbroking company, will be the executive chairman of TA Global, which will make its debut on the Main Market of Bursa Malaysia on Nov 23.

"He [Tiah] will play an active role in TA Global. Meanwhile, I will remain the managing director and CEO of TAE, taking care of the financial services business," Tiah's spouse Datin Alicia Tiah tells The Edge.

Tiah is currently the executive chairman of TAE. He assumed the post in FY2008 ended Jan 31, according to the company's annual report.

Tiah has laid low since the 1997/98 Asian financial crisis, staying behind the scenes most of the time. In the past 10 years or so, Alicia, the other co-founder of TAE, has been in the thick of action, managing the stockbroking division and growing the group's property business.

Some say Tiah's move to take up the executive chairman's post in TA Global implies that the stockbroking tycoon is running the show now. Others say Tiah never left the corporate world. They believe he stayed out of the public eye while driving the TAE group.

Tiah has been absent from the corporate scene after his conviction for making false reports to the stock exchange in 2002 led to his resignation from TAE in the same year. Apart from a fine of RM3 million, Tiah was barred from holding any directorship for five years. Datuk Soh Chee Wen and he were charged with defrauding Omega Securities Sdn Bhd of RM424 million in a share transaction in August 1999.

Industry observers say Tiah's wrongdoings erected hurdles in TAE's expansion path. It had difficulties in getting an universal broker licence then and now, investment bank status.

Whatever the controversy about Tiah and his conviction, TAE's shareholders may find it irrelevant now. That was all in the past. Now, shareholders are probably thankful to Tiah and Alicia for the proposed generous dividend-in-specie from the initial public offering of the group's property arm TA Global.

“Whoever exercised their TAE warrants must be laughing all the way to the bank now. TAE’s share price has gone up so much,” says Alicia with a grin. “We actually provided our clients with financing to exercise the warrants.”

TAE’s share price has climbed steadily since March, closing at a high of RM1.50 on Sept 30. Year to date, the stock has gained 125% and finished at RM1.43 last Friday.

“I think investors are buying TAE shares for the dividend-in-specie. Holding TAE shares will allow you to gain exposure to TA Global,” says Alicia.

She expects shareholders to approve the proposed IPO scheme at the EGM on Monday.

Analysts and fund managers are arranging to meet Alicia and asking for visits to TA Global’s landbank. Some of her friends have complained that she did not tip them off on the sweet deal before TAE’s share price rose, she says. “Wasn’t it [the potential value of TA Global] obvious, knowing that we have land around the Twin Towers and properties overseas?” she laughs.

TAE is said to have raised some RM284 million from the exercise of its warrants, which expired in June this year. The proposed dividend-in-specie was the carrot for warrant holders to exercise their warrants for shares in TAE. The money from the exercise made up for the funds that would have been raised via a TA Global IPO.

To recap, instead of carrying out the usual IPO exercise of selling new shares to the public to raise fresh capital, TAE decided to distribute shares plus irredeemable convertible preference shares (ICPS) in TA Global to its existing shareholders for free in its IPO scheme. For every five TAE shares held, shareholders will receive three TA Global shares and three ICPS.

For 1HFY2010 ended Jan 31, the property division, which includes hotel operations, contributed about 64% or RM123.9 million of total revenue and half of TAE’s total operating profit of RM85 million.

In the complex IPO scheme, TAE will offer 460 million TA Global shares to bumiputeras at 50 sen each. TAE is expected to receive RM230 million from the share sale. TAE will take up the block if bumiputera investors are not keen on the shares.

Meanwhile, TAE will subscribe for TA Global’s rights issue that will help to raise RM135 million for the property outfit.

The RM135 million will come in handy as working capital for TA Global, but it is not quite enough to fund the company's projects and acquisitions, says Alicia. "I would not rule out the possibility of a cash call in the future," she notes.

Assuming a share price of 50 sen, TA Global's market capitalisation will be RM2.4 billion. This will make it the fifth-largest property stock on Bursa Malaysia.

Looking pleased with TA group's purchase of land around KLCC and where TAE's head office building is located, Alicia says: "The land was very cheap when we bought it. We bought it before the Twin Towers were built. The highest price we paid was about RM800 per sq ft and the lowest was about RM360 psf."

She recalls that in the 1990s, TAE, which had the biggest retail clientele in town, was loaded with cash from the super bull run of 1993. Her husband and she had used some of the cash to purchase land as a way of preserving their wealth.

Holding 6.7 acres of prime land that is just a stone's throw from the KLCC, TA Global is going to be one of the largest landowners in the heart of the city. Certainly, the land is the jewel in TA Global's crown. The company also has pockets of land near Jalan Bukit Bintang and Jalan U-Thant near Ampang Hilir and some 48 acres in Sri Damansara. TA Global has four hotels in its stable as well and is planning to build two in Kuala Lumpur.

In the pipeline are commercial and residential projects with an estimated total gross development value of RM6 billion near KLCC and in Bukit Bintang and Sri Damansara.

"We believe TA Global's existing property business is undervalued," says HwangDBS Vickers in a report and recommends the stock to its clients.

However, some fund managers point out that TA Global's assets have been valued at current market prices. "So, there isn't much upside potential in the property stock unlike other property counters which have not revised their NTA [net tangible assets]," says a fund manager.

Prime landbank is a precious asset for a property developer but if its value is not unlocked, this may be equal to a gain on paper.

"It is true that TA group has good landbank, but it tends to take its own sweet time to launch its

projects. That makes us wonder how it will sustain earnings growth," says another fund manager. "It is fine when the property division is part of TAE, which has income from its stockbroking business. But it may be a problem when it is a separate entity."

But Alicia, who has nurtured the group's property business, begs to differ. She believes TA Global's land is ap
preciating in value daily and its hotel business will provide a steady income stream. "Give us three years. When all the developments bear fruit, we will be able to frank dividends in TA Global," she says, adding that there are plans to seek a dual listing